

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 7315

Petition of Village of Morrisville Water and)
Light Department for approval to finance)
various generation, substation, and distribution)
system facilities improvements)

Order entered: 5/30/2007

I. INTRODUCTION

On April 18, 2007, the Village of Morrisville Water and Light Department ("Morrisville"), pursuant to 30 V.S.A. § 108(c), filed a petition seeking Public Service Board ("Board") approval to incur indebtedness of \$2.625 million, in order to refinance existing short-term debt and to finance necessary generation, transmission, distribution and other improvements.

Craig T. Myotte, Manager of Morrisville, and Charles J. Underhill, Manager of Rate and Integrated Resources Planning for the Vermont Public Power Supply Authority ("VPPSA"), filed testimony and exhibits in support of the petition.

On May 1, 2007, the Director for Public Advocacy of the Vermont Department of Public Service ("DPS") sent a letter to the Board recommending that Morrisville's financing petition be approved without hearing or investigation on the basis that the proposed action is consistent with the general good of the state.

The Board has reviewed the petition, the supporting testimony, and accompanying documents, and concludes that approval of Morrisville's petition pursuant to 30 V.S.A. § 108(c) is appropriate and that such approval may occur without hearing.

II. FINDINGS

1. Morrisville has initiated, and in some cases completed, projects during 2005 and 2006, to upgrade its electric system and generation. These projects have been financed through \$636,000 of short-term financing. Petition at 1.

2. Morrisville has developed a list of projects to complete in 2007 and 2008. The total cost of all uncompleted projects is \$2.022 million. Petition at 1.

3. The projects are needed for reasons directly related to safety, reliability, efficiency, and serviceability. Petition at 1; Myotte pf. at 2-7; Underhill pf. at 2-3.

4. Morrisville proposes to obtain long-term financing by issuing bonds totaling \$2.625 million. This will cover the conversion of the existing \$636,000 short-term debt, as well the \$2.022 million cost of the proposed projects. Petition at 1.

5. Morrisville anticipates interest earnings of \$34,068, which it will deduct from the total cost of the projects. Petition at 1.

6. Morrisville will issue general obligation bonds to finance the projects. General obligation bonds are usually issued at a lower interest rate, and will not require Morrisville to collect a debt reserve fund. Underhill pf. at 5.

7. Morrisville will issue these bonds through the Vermont Municipal Bond Bank. Underhill pf. at 5.

8. The bonds will be issued over a 20-year period with an assumed interest rate of 4.57%, and will be issued in \$5,000 increments. *Id.*

9. There are no up-front costs associated with the issuance of the bonds. *Id.*

10. Annual depreciation of the cost of the projects will have an estimated impact on rates of 1.45%, assuming an annual depreciation rate of 3.5% (encompassing the various economic lives of the projects). *Id.*

11. The maximum incremental effect of the financing on Morrisville's revenue requirement is 3.53% in the first year, assuming a 4.57% interest rate, \$113,150 annual interest expense and a \$113,150 increase to net income to maintain a 2 Times Interest Earned Ratio (TIER). *Id.* at 4.

12. The issuance of general obligations or revenue bonds or notes to finance municipal plant improvements is consistent with the general good of the state. DPS letter dated May 1, 2007.

III. DISCUSSION

The Board concludes that the proposed refinancing of short-term debt and the issuance of general obligation bonds to finance various improvements to Morrisville's electric, substation, and generation system is consistent with the general good of the State of Vermont.¹

V. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. The Board approves the conversion of Morrisville's \$636,000 short-term financings to long-term debt.
2. The Board approves the issuance of general obligation bonds through the Vermont Municipal Bond Bank in an amount not to exceed \$2,625,000, for a 20-year term, and at an interest rate not to exceed 4.57%.
3. This Order does not constitute approval of any particular capital or operating expenditure nor the underlying capital structure that the Village of Morrisville Water and Light Department may implement. Nothing in this approval shall preclude the Department of Public Service or any other party, or the Board, from reviewing and/or challenging those expenditures and/or Morrisville's resulting Times Interest Earned Ratio in any future proceeding.

1. It is the Board's understanding that Morrisville voters have already approved this financing (Article 5 of Village of Morrisville's April 9, 2007, Australian ballot). We note that 30 V.S.A. § 108(c)(3) requires that if the Board issues a ruling to allow a financing such as in the instant case, "the municipality *must subsequently* obtain voter approval in accordance with chapter 53 of Title 24." (Emphasis added). It does not appear that Morrisville's vote prior to our approval meets the statutory mandate of Section 108(c)(3).

Dated at Montpelier, Vermont, this 30th day of May, 2007.

<u>s/James Volz</u>)	
)	PUBLIC SERVICE
)	
<u>s/David C. Coen</u>)	BOARD
)	
)	OF VERMONT
<u>s/John D. Burke</u>)	

OFFICE OF THE CLERK

FILED: May 30, 2007

ATTEST: s/Susan M. Hudson
Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: psb.clerk@state.vt.us)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.